

THE TAX CUT

Mr. BINGAMAN. Mr. President, I want to take a few moments to talk about the proposed tax cut that is, of course, the main focus of a lot of our attention in the Congress since the President sent us the tax cut proposal this last week, and give some thoughts as to my perspective on it at this point. I am sure that perspective will evolve as we get closer to actual consideration of the bill on the Senate floor. But I wanted to talk about how I see it at this point.

I think there are four obvious questions we need to ask about this tax cut proposal. First, should we have a tax cut? That may be the easiest question for all of us, but it is a legitimate question. Second, is the President's proposal the right size of tax cut in total, his \$1.6 trillion proposal? Third, is it structured appropriately in order to accomplish what we want to accomplish for our economy? The fourth obvious question is, does the President's proposal constitute a fair distribution of the benefits from this proposed tax cut?

Let me take a few minutes to deal with each of these. First of all, should we have a tax cut at this point in our Nation's history? To me, the answer is clearly yes. We can afford to have a tax cut because we are now projecting substantial surpluses, whereas most of the time I have served in the Senate, we have been dealing with deficits, not with surpluses. But we now have a surplus and a projected surplus; therefore, we can afford a tax cut.

Second, if we do properly structure this tax cut and do it quickly, pass it quickly and send it to the President for signature, it could stimulate the economy at a time when our Nation may need a real stimulus, perhaps as early as this summer or early this fall.

Those are reasons why I believe a tax cut is appropriate.

The second question I posed was, was the President's proposed \$1.6 trillion the right size of a tax cut at this time.

I have some real doubts about that. And my answer has to be at this stage based on what I currently know and what I think all of us currently know. I think the answer has to be that it is not the right size; it is too large.

The answer to the question has to be no. We should downsize the proposed tax cut before we enact anything here in the Senate.

Why do I say this? Let me give a few reasons.

First, there is a tremendous amount of uncertainty at this particular point about where our economy is headed. Last Thursday I saw a report in the New York Times reporting that many States expect a reduction in their State sales tax receipts, indicating a slowdown in sales. Of course, the States are much more dependent upon sales tax receipts than the Federal Government.

Many States that were awash with cash a few months ago now are pre-

paring for budget cuts. They are seeing their projected surpluses at the State level evaporate as they see the expected revenue coming in from these sales taxes to be reduced. At the same time, the administration and the Federal Reserve Board are warning about a slowdown in the economy. I know Chairman Greenspan is speaking again today. I believe he testifies before the Banking Committee, and I imagine that he will, once again, make the point that he made to the Budget Committee a couple of weeks ago, which is that we have a very slow growth economy at this particular moment; there has been a substantial downturn in economic activity.

All of this adds to the uncertainty, as I see it, and gives us more reason to hold off on locking in a very large tax cut until we get a better sense of where we are.

A second reason is, when you look at the numbers and the size of the projected tax cut, you have to become concerned about, if we go with this large of a tax cut, whether we will have the funds necessary to pay down the debt.

The remaining actions people in my State tell me they would like to see us take, if we have the funds, are a prescription drug benefit and increased defense spending.

President Bush is going to military installations this week talking about how we need to put more into national defense. The question is, Can we afford that if we go with this very large tax cut, and increased funding for education, and for a variety of needs that we have in this country?

I thought the best exposition I have seen and the best description of the problem and the best reasoned argument against the size of the tax cut was in the New York Times op-ed piece that Bob Rubin, our former Secretary of the Treasury, wrote. I thought it was extremely insightful. Let me read a paragraph.

He says the serious threat of the proposed tax cut to fiscal soundness becomes apparent when you look at the numbers a little more closely. The surplus of \$5.6 trillion as projected by the Congressional Budget Office is roughly \$2.1 trillion after deducting Social Security and Medicare surpluses; as many Members of Congress in both parties have advocated, making realistic adjustments to better represent future spending on discretionary programs and tax revenues.

He says we have a \$1.2 trillion surplus that we are talking about having available for a tax cut. He said since the proposed tax cut would cost \$2 trillion, or \$2.2 trillion if an alternative minimum tax adjustment is included, it would entirely use up the remaining surplus with no additional debt reduction. That leaves nothing for special programs that already have broad support—such as the prescription drug benefit, or greater increased defense spending for a missile defense system, or other purposes, or additional tax

cuts, all of which are sure to happen this year, or over the next few years.

These spending increases and the additional tax cuts could well cost between \$500 billion to \$1 trillion leading to a deficit under this analysis of the Congressional Budget Office projections.

My answer to the second question has to be that we cannot afford this size tax cut.

The third question that I posed is what the President's proposed tax cut should be to accomplish what we want for our economy.

Again, I think the answer has to be no.

The reality when you look at the President's proposal is that this tax cut is not intended or designed or structured to provide tax relief to anyone in the near future. It is instead intended and designed and structured to provide tax relief in the distant future.

The administration has argued that we need this tax cut to give the economy a boost at a time when we most need it, and when our economy most needs it. But the truth is, it provides absolutely no tax relief in 2001. It provides only \$21 billion of tax relief in the year 2002.

The tax cut proposal we have been sent by the President is backloaded. It is a much, much larger tax cut in future years—5 or 10 years from now—than it is this year. In fact, there is no tax cut this year as proposed by the President. In my view, the structuring of this tax cut as well as its size is flawed.

The final question that I believe needs to be asked, and undoubtedly will be asked and answered many times in different ways by all of us, is, is the President proposing a fair distribution of the benefits of the tax cut.

Again, my answer has to be no. The proposal the President sent us is heavily weighted to help those with higher incomes.

I was reading a magazine that arrived at our house last night—the U.S. News & World Report. They had a chart depicting how benefits from the Bush tax plan stack up. I was just trying to analyze that chart.

They take a single person, with no children, with a \$25,000 adjusted gross income and then they go up to \$300,000 adjusted gross income, and a married couple with one spouse working and two children. They go through a variety of possible taxpayer situations and try to analyze how much actual tax relief will be available.

According to their calculation, under the Bush plan, an individual who is earning \$25,000 a year adjusted gross income, would get \$60 in tax relief the first year that this is in effect. That would be 2002. You get a \$60 cut in your taxes.

If you take the person who has a \$300,000 income, what about their situation? They would get \$25,679 in tax relief that first year.

You say: Well, what is wrong with that? A person with an income of

\$25,000 is earning one-twelfth of what the person with an income of \$300,000 is earning. The tax cut for the person earning \$25,000 would be one forty-second as large as the tax cut the person earning \$300,000 would receive.

Then if you look at the figures 5 years out after their tax cut really begins to substantially impact, the person earning \$25,000 would get a \$300-per-year tax cut. The person earning \$300,000 would get nearly \$10,000 in tax cuts, or 32 times as much tax of a cut as the person who is earning \$25,000.

I have tried to get some statistics also on the impact of the President's proposal in my State, to work those up and try to understand how the people whom I represent would be affected. Of course, some of it is not that clear. But if you look at the demographic breakdown of the Bush tax cut as it affects the New Mexico taxpayers, the inequity is fairly stark.

Based on the statistics that were supplied in the Wall Street Journal last Thursday, while only roughly 4 percent of the Bush tax cut will be going to the bottom half of the people who file tax returns in my State, nearly half the benefits of the tax cut will go to fewer than 4 percent of the wealthiest individuals in my State.

On the issue of eliminating the estate tax—part of what the President has proposed is to have no estate tax in the future—in 1998, in New Mexico, to give a clear impression as to whom this benefits, there were 166 estates that paid estate tax. If, instead of repealing the estate tax, we would increase the current exemption from the \$675,000 to \$2.5 million, which is one of the proposals some of us have embraced, then there would be 26 of those estates that would have paid estate tax in my State in that year under that changed law.

At a time when the administration is asking charities and private citizens to do more for their communities, we are eliminating one of the largest tax advantages for charitable contributions by wealthy individuals, if we, in fact, eliminate the estate and gift tax.

There is serious doubt as to whether this proposed tax cut is fair in its distribution of benefits, and we need to study that. We need to try to come up with something that is more fair, something that will benefit average working families in the country. We should move quickly to try to enact a tax cut because that will help us economically, but we should not move so quickly that we do not take the time to change what has been sent to us by the President and come up with the right size tax cut, which, as I say, would be substantially less than the \$1.6 trillion. We should take the time to be sure it is structured in a way that the benefit is realized this year, a significant portion of the benefit, so Americans can take money home this year and see benefits in their own checking accounts.

We should alter what the President has sent us to make it more equitable.

We should see to it that average working families and individuals get their fair share of whatever tax cut is enacted. This tax cut is not designed to appropriately distribute those benefits. It is something that will require substantial work. I hope we can do that.

One of the unfortunate things about our political process is that oftentimes candidates for public office make proposals and get locked into political positions long before they are elected to the office and in a position to actually try to work for the enactment of those positions. That is what has happened in this case. President Bush adopted his proposal for a \$1.6 trillion tax cut well over a year ago when he was in the primaries running against Steve Forbes. There was a lot of competition within the Republican Party to see who could propose the larger tax cut.

President Bush proposed a very large one, and he has stuck to that in spite of the fact that our circumstances have changed, in spite of the fact that the economy today is not the robust economy we had a year ago, and in spite of the fact that there are real uncertainties about where we are going.

I hope we will take the time to analyze what the President sent. I hope we will also take the time to revise it so that we can better serve the people of this country by giving them a tax cut from which they can benefit quickly, a tax cut that most Americans will consider fair. I believe that is in the best interest of the country and that is clearly what our constituents have sent us here to do.

I yield the floor and suggest the absence of quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DORGAN. Mr. President, I ask unanimous that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. THOMAS). Without objection, it is so ordered.

Mr. DORGAN. Mr. President, I ask unanimous consent to speak in morning business for 15 minutes, after which I ask unanimous consent that Senator BOXER be recognized for 15 minutes.

The PRESIDING OFFICER. Under the previous order, the time of the Senator is under the control of the Democratic leader until 11 o'clock, and at such time, for those who wish to use it, the time is allocated to the Republican leader.

Mrs. BOXER. Mr. President, I ask—if no one is here at 11—whether the Democrats could speak until the Republicans come at that time.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mrs. BOXER. Thank you so much.

Mr. DORGAN. Mr. President, I withdraw my request.

The PRESIDING OFFICER. The Senator is recognized.

Mr. DORGAN. Mr. President, I ask unanimous consent to speak until 11 o'clock.

The PRESIDING OFFICER. Without objection, it is so ordered.

ECONOMIC POLICY AND TAX CUTS

Mr. DORGAN. Mr. President, there is now a great deal of debate about economic policy, about tax cuts, and a range of issues surrounding President Bush's proposal for a \$1.6 trillion tax cut that he sent to the Congress last week.

I would like to speak for a bit on that subject and talk specifically about what I think we are facing. I know it is running down hill to be talking about tax cuts and politics. It is not exactly a tough political position to say I support tax cuts; in fact, the larger the better. But I think it is also important for us to understand what we need to do to make sure we retain a strong and growing economy, one that provide jobs and economic opportunities for American families. We have had times in the past in this country where tax cuts have been proposed that are so large that we then see significant Federal deficits occur, increases to the Federal debt, the slowdown in the economy, and increases in interest rates that are very counterproductive to the interests of American families.

There have been a number of things written about tax cuts recently that I wanted to share with my colleagues.

The Wall Street Journal article dated February 8, entitled "A Tax Cut That Redistributes to the Rich," by Albert Hunt:

The gist of the Bush tax plan to be formally presented today is analogous to a familiar baseball riddle: Which brothers hold the Major League record for the most home runs? Answer: Hank Aaron, who hit 755, and his brother Tommy, who hit 13.

The wealthy are the Henry Aarons of the Bush tax plan, while working-class taxpayers are the Tommys. But the president packages the cut as equally generous to all.

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Most appalling in the Bush plan, however, is who's left out. The president talks about helping the \$25,000-a-year waitress with two kids, but the Center on Budget and Policy Priorities, a liberal advocacy group that conducts widely respected research, reported yesterday that under the Bush plan, 12 million lower- and moderate-income families, supporting 24 million children, would get nothing. Over half of African-American and Hispanic kids wouldn't benefit from the Bush initiative.

Let me show you another piece by the Wall Street Journal, written by Jackie Calmes, published yesterday:

As president Bush promotes his \$1.6 trillion, 10-year income-tax cuts here, back in Texas, state legislators are so pinched after two tax-cut plans he won as governor that they are talking of tapping a state rainy-day fund or even raising taxes.

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"He got elected president, yet we were left holding the bag here," state Sen. Carlos Truan said last week as the Senate Finance Committee began grappling with the fiscal needs.

Mr. Truan is a Democrat, so what was more attention-grabbing was the comment of a Republican, Senate Finance Committee